

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

DOT-00 INR-07 NSAE-00 FAA-00 L-03 SS-15 NSC-05 EUR-12

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P 072354Z APR 76

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC PRIORITY 1348

LIMITED OFFICIAL USE SECTION 1 OF 2 WELLINGTON 1728

E.O. 11652: N/A

TAGS: EAIR, NZ

SUBJECT: CIVAIR: GNZ-PAN AM ROUTE/FARE CONTROVERSY

REF: (A) WELLINGTON 1424, (B) WELLINGTON 1697, (C) STATE 101305

1. THE TEXT OF A LETTER FROM GNZ SECRETARY FOR TRANSPORT, A. J. EDWARDS TO E/C COUNSELOR DATED MAY 7, AND AN ENCLOSED COPY OF LETTER FROM F.D. NORTON, CONTROLLER FOR AIR SERVICES POLICY TO D.MORGAN, DIRECTOR FOR PAN AM NZ, ALSO DATED MAY 7 ARE TRANSMITTED BELOW FOR THE INFORMATION OF THE DEPARTMENT. THE LETTERS WERE HAND DELIVERED TO THE EMBASSY LATE MAY 7. THOUGH NORTON'S LETTER TO MORGAN CANNOT ACTUALLY REACH MORGAN UNTIL THE MAY 10 (MONDAY)

MAIL DELIVERY AT THE EARLIEST, THE EMBASSY HAS APRISED MORGAN OF ITS CONTENTS.

2. THE LETTER FROM EDWARDS FOLLOWS:

"WHEN I SPOKE TO YOU YESTERDAY I MENTIONED THAT I SHOULD LIKE TO CLARIFY A NUMBER OF MATTERS ARISING OUT OF PAN AM'S DESIRE TO EFFECT A CHANGE OF GAUGE AT SYDNEY ON A ROUTE VIA DENPASSAR TO HONG KONG.

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IN MY VIEW IT IS USEFUL IN THIS INSTANCE TO SEPARATE
THE COMMERCIAL CONSIDERATIONS FROM THE BILATERAL ONES WHICH
SURROUND THE PROPOSED CHANGE OF GAUGE.

FOR YOUR INFORMATION I ENCLOSE A COPY OF A LETTER
TO PAN AM DEALING WITH THE QUESTION OF THE EXCURSION
FARES WHICH MAY BE APPLIED BY PAN AM OVERROUTES TO
LONDON VIA HONG KONG ON THE ONE HAND AND VIA THE UNITED
STATES ON THE OTHER. I THINK YOU WILL AGREE THAT WE HAVE
MADE EVERY EFFORT TO ENSURE THAT PAN AM IS ABLE TO
PARTICIPATE IN TRAFFIC WHICH STRICTLY SPEAKING IS
SIXTH FREEDOM AND TO WHICH PAN AM HAS NO ENTITLEMENT AS OF
RIGHT.

NEVERTHELESS WE HAVE MADE IT QUITE CLEAR THAT
PROVIDED PAN AM CAN MEET THE CRITERIA SET DOWN FOR
PARTICIPATION IN THE FARES (AND PAN AM'S INTERESTS WERE
TAKEN INTO ACCOUNT IN DRAFTING THE CRITERIA) IT MAY
CARRY THE TRAFFIC. IT SHOULD BE NOTED THAT BY OFFERING
THE SAME FLIGHT NUMBER OVER THE ROUTE BETWEEN AUCKLAND
AND HONG KONG PAN AM IS ABLE TO PARTICIPATE IN THE
EXCURSION FARE BETWEEN AUCKLAND AND LONDON VIA HONG KONG,
AT LEAST AS FAR AS HONG KONG. THE APPROVAL OR LACK OF
APPROVAL OF A CHANGE OF GAUGE DOES NOT THEREFORE AFFECT
PAN AM'S PARTICIPATION IN ANY FARE OVER THE ROUTE.

SO FAR AS BILATERAL CONSIDERATIONS ARE CONCERNED
WE DO HAVE SOME DIFFICULTY IN MEETING PAN AM'S REQUEST.
UNLIKE THE CLAUSE CONTAINED IN THE BERMUDA AGREEMENT
OF 1946 AND IN SUBSEQUENT AGREEMENTS, THE CHANGE OF
GAUGE IN THIS INSTANCE OCCURS IN THE TERRITORY OF A
THIRD COUNTRY. AS CHANGE OF GAUGE PROVISIONS INVARIABLY
RELATE TO CHANGES EFFECTED WITHIN THE TERRITORY OF ONE OR
OTHER OF THE CONTRACTING PARTIES WE ARE RELUCTANT TO CREATE
A PRECEDENT INVOLVING A CHANGE OF GAUGE IN A THIRD
COUNTRY. WE BELIEVE THAT AS THE CHANGE OCCURS IN
AUSTRALIA, IT IS A MATTER TO BE RESOLVED BETWEEN YOUR-
SELVES AND THE AUSTRALIAN AUTHORITIES. FOR OURSELVES WE
ARE UNABLE TO SEE HOW PAN AM IS DESADVANTAGED BY THE
LICENSE AS WE HAVE ISSUED IT.
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I WOULD APPRECIATE RECEIVING ANY FURTHER INFORMATION
YOU MAY HAVE ON THIS QUESTION WHICH MIGHT LEAD US TO
EXAMINE THIS IN A NEW LIGHT. AS MATTERS CURRENTLY STAND
HOWEVER IT SEEMS TO US THAT THE CHANGE OF GAUGE IN
AUSTRALIA HAS LITTLE RELEVANCE TO OUR OWN BILATERAL AND
THAT IT WOULD CREATE AN UNFORTUNATE PRECEDENT IF WE WERE
TO INTERFERE."

3. THE TEXT OF NORTON LETTER TO MORGAN FOLLOWS:

"I AM WRITING IN RESPONSE TO YOUR FILINGS DATED 15 MARCH AND 1 APRIL, AND YOUR LETTERS REGARDING THE APPLICATION OF YOUR SCHEDULES TO THE PROMOTIONAL FARES TO LONDON DATED 9 MARCH, 1 APRIL AND 15 APRIL. WE HAVE HAD A REPLY FROM THE UNITED KINGDOM AUTHORITIES ON CERTAIN OTHER PROPOSALS AND I AM NOW ABLE TO CLARIFY THE APPROVALS WHICH WE CAN GRANT. THESE ARE FLIGHTS 811/812 BETWEEN AUCKLAND AND HONG KONG, AND 815/816 BETWEEN AUCKLAND AND SAN FRANCISCO.

WE HAD SOME PROBLEMS WITH YOUR HONG KONG SERVICE WHICH INVOLVES A CHANGE OF GAUGE IN A THIRD COUNTRY AND A RATHER LENGTHY LAYOVER PERIOD ON ONE LEG. THIS INVOLVES SOME BILATERAL CONSIDERATIONS WHICH ARE PROBABLY OF LITTLE INTEREST TO YOU, BUT FROM A COMMERCIAL VIEWPOINT WE FINALLY CAME TO THE CONCLUSION THAT AS YOU ARE USING THE ONE FLIGHT NUMBER BETWEEN AUCKLAND AND HONG KONG THIS SERVICE WOULD COME WITHIN THE CRITERIA LAID DOWN TO PERMIT PARTICIPATION.

YOU WILL RECALL THAT AT THE TIME WE HAD DISCUSSIONS WITH YOURSELF AND MR. CARLSON OF YOUR HEAD OFFICE, YOU HAD ONLY ON B747 SERVICE OPERATING THROUGH SAN FRANCISCO WHICH COULD QUALIFY FOR PARTICIPATION IN THE FARE AND THERE WAS A SUGGESTION THAT LOS ANGELES/SAN FRANCISCO BE REGARDED AS ONE TRANSFERPOINT (WITH THE PASSENGER PAYING THE EXTRA COST FOR TRAVEL BETWEEN THESE TWO POINTS). THERE WAS ALSO SOME DISCUSSION AS TO WHETHER HONOLULU COULD BE USED AS A TRANSFER POINT TO ENABLE A BETTER LINK WITH YOUR SAN FRANCISCO-LONDON SERVICES.

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ACTION EB-07

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DOT-00 INR-07 NSAE-00 FAA-00 L-03 SS-15 NSC-05 EUR-12

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FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC PRIORITY 1349

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WE PUT THE LOS ANGELES/SAN FRANCISCO FARE TRANSFER POINT TO THE UNITED KINGDOM AUTHORITIES AND THEY REFUSED TO AGREE TO IT. IN THE EVENT YOU HAVE NOW ALTERED YOUR SCHEDULES SO THAT A DISPENSATION IS NO LONGER A NECESSITY BECAUSE YOU NOW OPERATE TWO SCHEDULES THROUGH BOTH POINTS FOR THE EXCURSION FARE. IN ADDITION YOU NOW ALSO GAIN ACCESS OVER HONG KONG.

YOU WILL NOTE THAT IN ALL CASES I HAVE MADE NO COMMENT ON ACCESS BEYOND THE TRANSFER POINTS. IN THESE CASES IF THE UNITED KINGDOM AUTHORITIES HAVE OR DO APPROVE PARTICIPATION, OUR APPROVAL WILL BE GIVEN WITHOUT DELAY.

IN ADDITION WE HAVE RECENTLY CONCLUDED AN AGREEMENT WITH U.T. A. AND THE FRENCH AUTHORITIES ON EXCURSION FARES FOR TRAVEL BETWEEN OUR TWO COUNTRIES ON CONDITIONS IDENTICAL TO THOSE APPLYING TO THE UNITED KINGDOM. PAN AMERICAN IN THE PACIFIC/ASIAN AREA WILL BE GRANTED SIMILAR ACCESS TO THIS FARE, AS IT HAS OVER LONDON WHEN IT MAKES APPLICATION. SIMILAR AGREEMENTS ARE PENDING WITH SWITZERLAND AND SEVERAL OTHER EUROPEAN COUNTRIES AND IN THESE YOUR AIRLINE'S PARTICIPATION WILL BE PROTECTED.

THIS SITUATION WHERE GOVERNMENT HAS TO ACT AS A PRINCIPAL IN FARE NEGOTIATIONS IS ABHORRENT TO US
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AND WE WOULD MUCH PREFER THE SOUTH PACIFIC-EUROPE SITUATION TO REVERT TO I.A.T.A. CONTROL. IN RETROSPECT, HOWEVER, AND BEARING IN MIND THIS TRAFFIC IS NEW ZEALAND ORIGINATING OR DESTINED AND YOUR SIXTH FREEDOM, I SINCERELY BELIEVE THAT WE HAVE BEEN MORE THAN FAIR TO THE FOREIGN AIRLINES THAT SERVE THIS COUNTRY AND IN PARTICULAR PAN AMERICAN. IT IS SOMETIMES LOST SIGHT OF THAT T.W.A. IS DOING VERY WELL OUT OF THESE FARES AS WE WELL KNOW,

AND THAT HAD CERTAIN ROUTE TRANSFERS BETWEEN YOURSELVES
AND THAT AIRLINE NOT TAKEN PLACE, PAN AMERICAN WOULD HAVE
GAINED THIS REVENUE.

ON ANOTHER SUBJECT, I NOTE YOU ARE ABOUT TO
INTRODUCE B747 FREIGHTERS INTO NEW ZEALAND AND THE
SCHEDULE OUTLINES IN YOUR LETTER OF 30 APRIL IS APPROVED
AND HAS BEEN INCORPORATED INTO YOUR INTERNATIONAL AIR
SERVICE LICENSE. WOULD YOU PLEASE AMEND YOUR COPY OF THE
LICENSE ACCORDINGLY.

I ALSO NOTE THAT IN RECENT WEEKS YOUR PASSENGER
LOADINGS HAVE BEEN VERY GOOD. THIS IS AN ENCOURAGING SIGN
AND I WISH YOU CONTINUED SUCCESS."

4. THE NOTE CONTAINED IN REFTEL C WAS SENT TO GNZ UNDER
DATE OF APRIL 30. ON RECEIPT OF REFTEL C E/C COUNSELOR
ALERTED EDWARDS THAT THE EMBASSY HAD RECEIVED INSTRUCTIONS
FROM THE DEPARTMENT TO SEND THE NOTE. EDWARDS APPEARED
GENUINELY CONCERNED AND ASKED RHETORICALLY "HOW DID
WE GET INTO THIS SITUATION?" HE STRESSED THAT GNZ
DID NOT WANT BAD CIVAIR RELATIONS WITH THE U.S. NOR
WERE ITS ACTIONS MEANT TO HARASS PAN AM.

5. ON MAY 6 EDWARDS CALLED E/C COUNSELOR PURPORTEDLY
TO REQUEST CLARIFICATION OF A POINT IN THE NOTE, BUT
HE ENDED UP INQUIRING WHETHER THERE WOULD BE ANY
OBJECTION TO HIS SENDING A "LITTLE NOTE" (READ INFORMAL
LETTER) WITH SOME SUGGESTIONS TO SEE IF THESE MIGHT SOLVE
THE PRESENT DILEMMA. E/C COUNSELOR SAID U.S. DESIRED
A SOLUTION AND IF HE WISHED TO MAKE SOME SUGGESTIONS VIA
A LETTER THESE WOULD BE TRANSMITTED TO WASHINGTON WITHOUT
DELAY TO GET USG REACTION.
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6. MORGAN OF PAN AM, IN THE MEANTIME, ADVISED AN AIR
NEW ZEALAND (ANZ) OFFICIAL THAT THE EMBASSY HAD SENT A
STRONG NOTE TO GNZ ON LATEST GNZ ACTIONS RE PAN AM AND
OBSERVED THAT IF THIS SORT OF TREATMENT OF PAN AM CONTINUED
USG MIGHT FIND IT DIFFICULT TO CONTINUE TO LOOK THE OTHER
WAY ON SOME OF ANZ'S PRACTICES WHICH DID NOT STRICTLY
CONFORM TO THE RULES. ANZ'S REACTION WAS ONE OF CONCERN
THAT GNZ MIGHT BE JEOPARDIZING ANZ'S EXISTING ARRANGEMENTS.
MORGAN UNDERSTANDS AN ANZ OFFICIAL GOT IN TOUGH WITH
CIVAV AUTHORITIES STRONGLY TO URGE THEM TO AVOID CONTINUING
IN ACTIONS WHICH COULD AFFECT ANZ'S OPERATIONS. HE
APPARENTLY WANTED THE CIVAV AUTHORITIES TO COME UP WITH
A PROPOSED SOLUTION WHICH COULD BE THE BASIS FOR THE
EMBASSY TO AGREE TO WITHDRAW THE NOTE.

7. COMMENT: IT IS EVIDENT FROM THE ABOVE THAT GNZ'S ACTIONS VIS-A-VIS PAN AM DO NOT HAVE UNANIMOUS SUPPORT WITHIN GNZ CIRCLES. EDWARDS SEEMS SINCERE IN HIS EXPRESSED DESIRE TO MAINTAIN CORDIAL CIVIL RELATIONS WITH THE U.S. IT APPEARS LIKELY THAT ONE OR MORE OF HIS CIVIL ADVISERS MAY NOT BE AS COMPLETELY MOTIVATED TOWARD THE SAME OBJECTIVE.

8. EMBASSY WOULD APPRECIATE ASAP DEPARTMENT'S COMMENTS ON THE LATEST GNZ'S PROPOSALS CONTAINED IN THE LETTERS QUOTED ABOVE SO THEY CAN BE PASSED TO EDWARDS.
KILLGORE

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Message Attributes

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